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SUBJECT: GERMANY'S BEST PRACTICES FOR ENHANCING STEEL
INDUSTRY

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¶1. (SBU) Summary: Germany's steel industry benefits from both national and EU programs to enhance the competitiveness of its steel industry. According to Dr. Dirk Grabowski, Office Director for the Steel and Defense Industries at the Ministry of Economics and Technology, the nation's steel industry receives funding from both European Union and national government initiatives designed to enhance its competitiveness through innovation and research support. In 2006, Germany's leading steel producer Thyssen-Krupp enjoyed its best annual performance since its merger five years ago. Grabowski emphasized Germany's desire to enlarge the industry but not through subsidies, pointing to reacquiring segments of the raw material supply chain. He noted that globalization had brought new entrants from Russia and Italy and spurred Thyssen-Krupp's plans to open a \$3 billion steel mill in U.S.
End Summary.

Innovation Funds

¶2. (U) The Research Fund for Coal and Steel (RFCS), a vestige of the European Coal and Steel Community, continues to provide 60 million Euros in annual funding for training, research and restructuring. The European Commission's Directorate-General for Research Unit 5 administers these funds. The Council directs about three-quarters of the funds to the steel industry EU-wide. During the 1980s, when the steel sector faced overcapacity, the program provided Member States with assistance to downsize their steel industries. The program is now a source of funding for steel research programs, which lead to economic, clean and safe steel products through improved production and finishing, new steel grades for more rigorous applications, enhanced mechanical properties and greater resistance to heat and corrosion. The program also aims to reduce carbon dioxide and GHG emissions through carbon-lean technologies combined with carbon dioxide capture and sequestration, and the innovative use of natural gas and hydrogen, biomass or electricity in the production of steel. Among the benefits of this research are lower energy consumption, greater environmental protection and conservation, greater structural safety in case of earthquakes or fire and easier material recovery and recycling. The EU Commission credits the program with assisting the steel industry to better meet the challenges of international competition, accelerated innovation, stricter environmental protection and energy consumption standards.

¶3. (U) On the national level, the GOG's multi-billion dollar High Tech Strategy will devote resources toward innovation in the steel and related industries between now and 2010.

Coordinated by the federal ministries for Education and Research, and Economics and Technology, the strategy identifies 17 cutting-edge fields, including materials and production technologies as well as the automotive, aviation and transportation sectors. The strategy sets aside 6 billion Euros specifically for research, development and innovation. Within this larger program, the German government allocates 300 million euros annually on initiatives to improve energy efficiency in the production of metals, including steel. Despite a decades-long decline in the per-unit electricity needed to produce steel, Germany's industry continues to seek cost reductions and faces pressure to reduce energy consumption.

Research Support

¶5. (U) As part of the High Tech Strategy, Germany plans to build on its existing solid infrastructure in university and non-university institutes in materials science, which supply qualified professionals to the steel industry. Beginning this year, the GOG will fund young teams of researchers working in the engineering sciences at universities of applied sciences. The Ministry of Economics and Technology specifically identified teaching positions to be added as well as a new Innovative Steel research chair, Georg Frommeyer, at the Max Planck Institute for Iron Research in Dusseldorf.

¶6. (U) Dating back to 1971, the Planck Institute has contributed significantly to advances in Germany's steel industry. The institute, which receives roughly half of its funding from industry, is located near the traditional industrial belt. Frommeyer's Department of Materials Technology develops high performance steels with superior

physical and mechanical properties such as lower density, higher elastic stiffness, excellent formability and improved corrosion resistance. More specifically, Frommeyer's department designs and evaluates high-strength steels with the capacity to endure -50 to 100 degree Celsius environments as required for modern railway transportation systems and power trains.

Investment in U.S.

¶7. (SBU) In discussing Germany's steel industry, Grabowski said Thyssen- Krupp expects to open a \$3 billion USD steel mill in the southern United States, either in Arkansas or Louisiana. Grabowski also thought the U.S. and Germany could find areas of cooperation, particularly on the energy/environment front. One possible area would be in near zero-emissions steel plants.

TIMKEN JR